

LAFCO of Napa County

Local Agency Formation Commission

1700 Second St, Suite 268
Napa, CA 94559
(707) 259-8645
FAX (707) 251-1053
<http://napa.lafco.ca.gov>

FEBRUARY 26, 2004 AGENDA ITEM NO. 7a

February 17, 2004

TO: Local Agency Formation Commission

FROM: Keene Simonds, Analyst

SUBJECT: *Comprehensive Water Service Study*: Service Review Determinations
City of St. Helena

At its December 11, 2003 meeting, staff presented the Commission with draft determinations for the City of St. Helena as part of the *Comprehensive Water Service Study*. The draft determinations were accompanied by an updated study section for the City and were presented to the Commission for a first-reading. Following this meeting, the draft determinations and updated study section were circulated for comment to the City in anticipation of presenting final determinations at the Commission's February 2004 meeting. A copy of the written comments received from the City is attached.

Revisions to the draft determinations are identified below, and a draft resolution for the City is offered for the Commission's consideration and approval. This draft resolution making determinations with respect to the City's water service operations would fulfill LAFCO's mandate under California Government Code §56430.

Revision No. 1:

In the report received by the Commission in December, Determination No. 6 under the Infrastructure Needs or Deficiencies section reads:

The City of St. Helena recently approved the construction of a water treatment facility for use at Lower Reservoir, which will enable the City to convert its water right to York Creek into an additional potable water source. This conversion will help St. Helena address its existing water supply deficits during below normal and dry year conditions and may diminish the City's need to use groundwater to meet future system demands.

In response to comments received from St. Helena clarifying that the City has approved a study to consider the feasibility of constructing a water treatment facility for use at Lower Reservoir rather than approve construction, this determination has been revised to read:

Harry Martin, Chair
Councilmember, City of Napa

Mike Rippey Vice-Chair
Supervisor, 5th District

Guy Kay, Commissioner
Representative of the General Public

Ken Slavens, Commissioner
Mayor, City of St. Helena

Brad Wagenknecht, Commissioner
Supervisor, 1st District

Volker Eisele, Alt. Commissioner
Representative of the General Public

Lori Luporini, Alt. Commissioner
Mayor, City of American Canyon

Bill Dodd, Alt. Commissioner
Supervisor, 4th District

Daniel Schwarz
Executive Officer

The City of St. Helena recently approved a study to evaluate the feasibility of constructing a water treatment facility for use at Lower Reservoir in order to convert its water right to York Creek into an additional potable water supply source. If implemented, this conversion will help St. Helena address its existing water supply deficits during below normal and dry year conditions and may diminish the City's need to use groundwater to meet future system demands.

Revision No. 2:

In the report received by the Commission in December, Determination No. 2 under the Government Structure Options section reads:

Because the City of St. Helena's adopted jurisdictional and sphere of influence boundaries are nearly conterminous, and based on its existing water supply deficits during periods of below normal and dry years conditions, it is not anticipated that the City will pursue a change in its organization within the timeframe of this study. However, in the event a change in organization is proposed, St. Helena would need to address its ability to provide water service to the subject territory without adversely impacting the service levels of existing customers.

In response to comments received from St. Helena recommending that the determination be amended to better capture the relationship between the City's jurisdictional boundary and sphere of influence, this determination has been revised to read:

Because the City of St. Helena's adopted jurisdictional and sphere of influence boundaries are conterminous except for the "Howell Mountain Road area" and the lower portion of Bell Canyon Reservoir, and based on its existing water supply deficits during periods of below normal and dry years conditions, it is not anticipated that the City will pursue a change in its organization within the timeframe of this study. However, in the event a change in organization is proposed, St. Helena would need to address its ability to provide water service to the subject territory without adversely impacting the service levels of existing customers.

Revision No. 3:

In the report received by the Commission in December, Determination No. 5 under the Local Accountability section reads:

The City of St. Helena is the only municipality in Napa County that uses groundwater as part of its water supply. The County of Napa has an adopted policy that promotes the preservation of groundwater supplies for agricultural use while discouraging the use of groundwater for urban purposes. Although it is not subject to this policy, St. Helena should evaluate its continued use of groundwater in comparison to developing new surface water supplies to meet existing and future system demands. This evaluation will provide greater context to St. Helena's decision making process and improve its regional accountability.

In its written comments, St. Helena states that the City's use of groundwater is offset by the amount of potable water it delivers to outside agricultural users who would otherwise use groundwater. However, this appears inconsistent with the City's adopted policies. In 1998 and 2001, the City adopted ordinances restricting its use of groundwater to meet a maximum of 20 percent during normal conditions and 30 percent during drought conditions of total system demands. Based on these ordinances and in the absence of documentation stating otherwise, it appears that system demands determine the amount of groundwater used by St. Helena rather than the amount of water delivered to outside agricultural users. To address the need for greater documentation concerning this issue, this determination has been revised to read:

The City of St. Helena is the only municipality in Napa County that uses groundwater as part of its water supply. The County of Napa has an adopted policy that promotes the preservation of groundwater supplies for agricultural use while discouraging the use of groundwater for urban purposes. Although it is not subject to this policy, St. Helena should evaluate its continued use of groundwater in comparison to developing new surface water supplies to meet existing and future system demands. This evaluation, which should be based on documented analysis, will provide greater context to St. Helena's decision making process and improve its regional accountability.

RECOMMENDATION

It is recommended for the Commission to take the following action:

- 1) Approve the form for the attached resolution making determinations with respect to the water service operations for the City of St. Helena pursuant to Government Code §56430.

Respectfully submitted,

Keene Simonds
Analyst

Attachment:

- 1) Draft Resolution

RESOLUTION NO. ____

**RESOLUTION OF
THE LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
MAKING DETERMINATIONS**

**COMPREHENSIVE WATER SERVICE STUDY
SERVICE REVIEW
CITY OF ST. HELENA**

WHEREAS, the Local Agency Formation Commission of Napa County (hereinafter referred to as “the Commission”) may conduct service reviews of local agencies pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq., hereinafter referred to as “Act”); and

WHEREAS, the Commission adopted a schedule for service reviews on October 11, 2001; and

WHEREAS, pursuant to Government Code Section 56430, the Executive Officer designated a countywide service review of public water service in Napa County, which includes territory served by the City of St. Helena; and

WHEREAS, pursuant to its adopted schedule, the Commission held a public workshop on the “Comprehensive Water Service Study”, including the service review of the City of St. Helena’s water services, on June 12, 2003; and

WHEREAS, the Executive Officer prepared a written report of this service review that was presented to the Commission in the manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at its public workshop on June 12, 2003 and at meetings of the Commission on December 11, 2003 and February 26, 2004; and

WHEREAS, as part of this service review, the Commission is required pursuant to Government Code Section 56430(a) to make a statement of written determinations with regards to certain factors.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

**COMPREHENSIVE WATER SERVICE STUDY
SERVICE REVIEW
CITY OF ST. HELENA**

1. In accordance with the adopted Local Agency Formation Commission Environmental Impact Report Guidelines, and applicable provisions of the California Environmental Quality Act (CEQA), the Commission hereby determines that this service review is exempt from the provisions of CEQA under Section 15306 of the State CEQA Guidelines (Title 14 of the California Code of Regulations Section 15306). The service review is a data collection and research study. The information contained within the service review may be used to consider future actions that will be subject to environmental review.
2. The Commission adopts the statement of determinations set forth in "Exhibit A" which is attached and hereby incorporated by reference.

The foregoing resolution was duly and regularly adopted by the Local Agency Formation Commission of Napa County, State of California, at a regular meeting held on the 26th day of February, 2004, by the following vote:

AYES: Commissioners _____

NOES: Commissioners _____

ABSTAIN: Commissioners _____

ATTEST: EXECUTIVE OFFICER

Clerk of the Commission

By: _____

EXHIBIT A
COMPREHENSIVE WATER SERVICE STUDY
SERVICE REVIEW
CITY OF ST. HELENA

STATEMENT OF DETERMINATIONS

1. With respect to infrastructure needs or deficiencies [Government Code §56430(a) (1)], the Commission determines that:
 - Through its local water supplies, the City of St. Helena has an adequate supply of water to meet existing and projected water demands under normal conditions within the timeframe of this study.
 - The City of St. Helena requires additional water supplies to meet existing and projected water demands during periods of consecutive dry years and critically dry years.
 - The City of St. Helena should continue to pursue opportunities to increase and enhance its available water supply while reducing system demands by expanding its conservation efforts. These efforts will help to ensure an adequate supply of water during periods of below normal and dry year conditions.
 - The City of St. Helena's water supply is dependent on local surface and groundwater supplies. To enhance its available supply, St. Helena should continue to explore opportunities to arrange for the delivery of its recent purchase of State Water Project entitlement. The addition of State Water Project entitlements would help St. Helena conserve and maximize its local water resources and provide greater flexibility in meeting future water demands.
 - The City of St. Helena relies on groundwater to help meet existing and projected water demands within its service area. Although this source has proven reliable, there is limited information relating to the long-term ability of the affected groundwater basin to sustain demands as well as the impact on adjacent users. An objective evaluation is needed to determine reasonable production capacities for the affected groundwater basin to protect against overdraft and to preserve its long-term beneficial use.
 - The City of St. Helena recently approved a study to evaluate the feasibility of constructing a water treatment facility for use at Lower Reservoir in order to convert its water right to York Creek into an additional potable water supply source. If implemented, this conversion will help St. Helena address its existing water supply deficits during below normal and dry year conditions and may diminish the City's need to use groundwater to meet future system demands.

- The City of St. Helena should work with the City of Napa to renew its emergency agreement for potable water supplies. Renewal of this agreement would help protect St. Helena against future water shortages – in the event either of its water treatment facilities become impaired – without depleting its stored reserves.
- The City of St. Helena has adequate treatment capacity to independently meet existing and projected maximum day water demands within the timeframe of this study.
- The City of St. Helena has adequate treated water storage capacity to independently meet existing and projected maximum day water demands within the timeframe of this study. This capacity will help to ensure adequate reserves are available during an emergency or interruption in service.
- The City of St. Helena requires improvements to its distribution system to account for the significant disparity between recent water production and actual water demand within its service area.
- The City of St. Helena is scheduled to begin providing reclaimed water service in 2005. The use of reclaimed water within St. Helena's service area is an important component in strengthening its water conservation efforts and should alleviate future potable water demands among agricultural and landscape customers.
- Reclamation is a beneficial and efficient use of existing water resources and will provide credence to the City of St. Helena's water conservation efforts.
- Evaluation of the City of St. Helena's reclamation program and its actual impact on potable water demands should be included in future studies.

2. With respect to growth and population projections for the affected area [Government Code §56430(a)(2)], the Commission determines that:

- The City of St. Helena evaluates its water service capacities using reasonable demand projections detailed in its *Urban Water Management Plan (2003)*.
- The calculation formula codified in Title 22 of the California Code of Regulations §64412(a)(2) is an appropriate method in estimating the total population served by the City of St. Helena's water service system. The population served by St. Helena's water system based on this calculation method is 8,111.

3. With respect to financing constraints and opportunities [Government Code §56430(a) (3)], the Commission determines that:
 - The City of St. Helena is scheduled to begin providing reclaimed water service to existing potable water customers within the next several years. Reclamation will offer agricultural and landscape customers a suitable water source at an alternative rate, while reducing the draw upon St. Helena's overall supply of potable water.
 - As the City of St. Helena begins to develop reclaimed water service within its service area, future studies should evaluate the financial impact diminished potable water sale revenues has on the City's water service operations.
 - The City of St. Helena has been successful in supplementing its capital reserves with outside financing to help cover the costs of implementing needed capital improvements.
4. With respect to cost avoidance opportunities [Government Code §56430(a) (4)], the Commission determines that:
 - The City of St. Helena is a member of the Napa County Flood Control and Water Conservation District's technical advisory committee, known as "Watrtac." This committee provides NCFCWCD with a consensus among the five cities and County as it relates to current and future water issues affecting Napa County. This advisory committee provides St. Helena the opportunity to share costs with other participating agencies on projects of mutual interest and facilitates the exchange of service information.
 - The City of St. Helena is a funding participant in Napa County Flood Control and Water Conservation District's "2050 Study." The study's objective is to identify current and projected water demands within each participating agency's service area as well as document agricultural demands in unincorporated areas served by groundwater. This study will also examine the feasibility of pursuing cooperative water supply projects aimed at meeting countywide demands through 2050. St. Helena will benefit from the study and should continually explore collaborative opportunities aimed at identifying new and improved water supplies.
5. With respect to opportunities for rate restructuring [Government Code §56430(a) (5)], the Commission determines that:
 - The City of St. Helena has made a concerted effort to maintain low water rates by limiting operational and capital expenditures and relying on outside financing to help fund improvement projects. As a result, St. Helena's water rates, which were last increased in 2001, remain significantly lower than the rates offered by other public water agencies in Napa County.

- It is anticipated that the City of St. Helena will increase its water service rates within the next year to support increased operational and maintenance costs and help fund needed capital improvement projects. This rate increase may be followed by an additional tiered increase based on the recommendations of a rate study scheduled to begin in 2004. Notably, this rate study will examine revenue requirements for St. Helena to help cover costs associated with its comprehensive reclamation project. Future studies should examine the relationship between these anticipated increases in water rates with St. Helena's ability to encourage water conservation while generating sufficient revenues to meet cost of service.
- Tiered increases to the City of St. Helena's water rate schedule is a fair and equitable approach to passing increases in cost to the customer while maintaining the solvency of its water system operations.

6. With respect to opportunities for shared facilities [Government Code §56430(a) (6)], the Commission determines that:

- The City of St. Helena should explore opportunities to share costs with the Cities of Calistoga and Napa to allow the City to take delivery of its recently purchased annual entitlement to the State Water Project through these agencies' existing facilities. Specifically, this evaluation should examine system requirements and costs needed to improve Calistoga and Napa's existing treatment and conveyance facilities in order for St. Helena to take delivery of its State Water Project entitlement while addressing existing and future service needs of the other two agencies. This arrangement would enable all three agencies to share in the costs of mutually beneficial improvements to their respective water systems and would eliminate the need for St. Helena to develop new and duplicative infrastructure.

7. With respect to government structure options, including advantages and disadvantages of consolidation or reorganization of service providers [Government Code §56430(a) (7)], the Commission determines that:

- The City of St. Helena is the only public agency providing water service within its jurisdictional boundary. There are two other public agencies empowered to provide water service whose jurisdictions overlap that of St. Helena: the Napa County Flood Control and Water Conservation District and Napa County Resource Conservation District. Both of these agencies have elected not to offer water service, and have expressed no intentions of doing so in the foreseeable future.
- Because the City of St. Helena's adopted jurisdictional and sphere of influence boundaries are conterminous except for the "Howell Mountain Road area" and the lower portion of Bell Canyon Reservoir, and based on its existing water supply deficits during periods of below normal and dry years conditions, it is not anticipated that the City will pursue a change in its organization within the timeframe of this study. However, in the event a change in organization is proposed, St. Helena would need to

address its ability to provide water service to the subject territory without adversely impacting the service levels of existing customers.

8. With respect to evaluation of management efficiencies [Government Code §56430(a) (8)], the Commission determines that:

- The City of St. Helena provides an annual summary of past and projected revenues and expenditures for its water service operations as part of its annual budget. The budget is adopted following internal reviews and several public study sessions in which members of the public are allowed to comment and offer suggestions with respect to expenditures relating to water service. In addition to enhancing the accountability of elected and appointed officials, St. Helena's budget process provides a clear directive towards staff with respect to prioritizing city resources and helps to educate its constituents with respect to funding public services.
- The City of St. Helena has sufficient capital reserves to finance necessary upgrades and improvements to its water system; reserves are generated from surplus revenue drawn from water sales and availability charges. Applying surplus revenue from these sources is a fair and equitable approach to passing capital expenditures to ratepayers without incurring or relying on loans, special assessments, or bonded indebtedness to fund needed improvements.
- The City of St. Helena's recently adopted capital improvement project, which includes 18.9 million dollars for projects aimed at upgrading and improving its water service operations through 2010, was prepared by staff and demonstrates a reasonable effort on behalf of management to address and update water quality and service objectives in a timely and efficient manner.
- The City of St. Helena requires an update to its *Master Water Plan (1987)* to account for recent augmentations to its water service operations. An updated master water plan would help provide clarity to St. Helena's water services and facilities and improve its long-term planning by coordinating future service requirements with the City's most recently adopted general plan.

9. With respect to local accountability and governance [Government Code §56430(a) (9)], the Commission determines that:

- The City of St. Helena City Council meetings are conducted twice a month and are open to the public. Public inquiries involving water service operations can be addressed to the Council at this time. Regularly scheduled council meetings provide an opportunity for St. Helena's constituents to ask questions of their elected representatives, while helping to ensure that service information is being effectively communicated to the public.

- The City of St. Helena makes reasonable efforts to maintain public dialogue with its constituents regarding its water service operations. These efforts facilitate local accountability and contribute towards public involvement in local governance.
- The City of St. Helena has an adopted multi-phased water shortage contingency plan designed to reduce system demands based on storage levels at Bell Canyon Reservoir. The contingency plan is comprised of voluntary and mandatory measures aimed at helping St. Helena maximize and conserve its local water resources during periods of below normal and dry year conditions when supplies are limited. This plan strengthens St. Helena's accountability to the public by reminding its constituents of the importance of water conservation and provides clear directives toward staff with respect to managing supplies during water shortages.
- The City of St. Helena currently provides water service to approximately 355 connections outside its jurisdictional boundary. Although St. Helena no longer approves new connections or water main extensions for outside users, the City should continue to include the service demands of these users in their water supply analysis.
- The City of St. Helena is the only municipality in Napa County that uses groundwater as part of its water supply. The County of Napa has an adopted policy that promotes the preservation of groundwater supplies for agricultural use while discouraging the use of groundwater for urban purposes. Although it is not subject to this policy, St. Helena should evaluate its continued use of groundwater in comparison to developing new surface water supplies to meet existing and future system demands. This evaluation, which should be based on documented analysis, will provide greater context to St. Helena's decision making process and improve its regional accountability.
- The City of St. Helena's administration and water service operations are maintained and managed by a responsive and professional staff. These characteristics enhance accountability and cultivate desirable working relationships with members of the public as well as other agencies.